

23334.01

**REMARKS**

This Amendment is made in response to the Office Action dated October 7, 2002 and is supplemental to the Amendment filed June 26, 2003. Applicant expresses his appreciation to Supervisory Patent Examiner Jeffrey Smith and Examiner James Zurita for the courtesies extended to their undersigned attorney in the course of a telephone interview on December 12, 2003. In the course of the interview, Applicant proposed amended independent claims 35 and 40. Independent Claim 35 had been amended to include the recitations of dependent claim 36. Further, independent claim 40 was amended to include the recitations of dependent claims 4-7 and 41. In addition, the Examiners and the undersigned discussed claims 37 - 40, 42, 43, 47, and claims 16 - 27.

In this interview, the undersigned asserted that the Office Action of October 7, 2003 relied on the SEC Filing to reject claims 35, 37 - 40, 42, 43, 47 and 16 - 27, but did not map the teachings of the SEC Filing with respect to the recitations of the above listed claims. The Examiners and the undersigned agreed that the following passages from the SEC Filing were the most relevant parts of this reference to the discussed claims: 1) the penultimate paragraph of page 12 was the most relevant to claims 35, 37, 38, 39, 42, 43, 47, and 16 - 27 (the first passage), and 2) the penultimate paragraph of page 15 was the most relevant to claim 40 (the second passage). The first and second passages will be reproduced below.

Applicant respectfully traverses and requests reconsideration of the rejection of claims 35 and 37 as being unpatentable over the SEC Filing of December 4, 1998 in view of U.S. Patent No. 5,745,706 of Wolfberg. A method of allocating a population of securities in accordance with the teachings of this invention is shown in Figures 1-4. Initially as shown in Figure 1, step 4 assigns each security of the population to a corresponding security. In Figure 2, the data element of each security, e.g., common stock equity, market capitalization, net income, net revenue, net earnings, total assets et al., within a particular industry is summed to provide an industry total of the data elements of the particular industry. As shown in Figure 3, the selected industry total is allocated to a particular number of securities of a particular industry in accordance with the magnitude of the industry total. Figure 3 shows the invention as including a first step 46 or 48 for comparing the industry total of the one industry group with a first limit and, if less, allocating the industry total to at least one

23334.01

security. If the industry total is greater than the first limit as determined in step 60, step 66 or 68 allocates the industry total to at least two securities of this particular industry group.

The first passage from the penultimate paragraph of page 12 of the SEC Filing reads, "The Strategy Model --- selects for investment one or more companies which have the highest common stockholders' equity within each industry". This passage only describes in a general fashion the allocation of the industry total among the securities, and fails to teach the specific steps for implementing the industry allocation, i.e., a step 40 of comparing the industry total with a first limit, and if less, allocating in step 46 or 48 the industry total to a particular security. If the industry total is greater than the first limit, then step 66 or 68 allocates the industry total to at least two securities of this particular industry group. The first passage discloses only generally that the method determines or allocates the "investment for one or more companies which have the highest" data elements within each industry. Thought the quoted first passage relates to the recitation c) which specifies in its most general wording the "allocating a n industry allocation to a selected number of securities said one industry group", the first passage fails to disclose the specific recitations of comparing the industry total to a first limit d). If the allocation is less, then the industry total is allocated to the one particular industry group and, if greater, the industry total is allocated to at least two securities of said one particular industry group.

At page 22 of the Office Action dated October 7, 2002, the Examiner asserts that page 15, beginning at line 13 of the SEC Filing, discloses "that the specified upper and lower boundaries may be percentages (3%, 13% and 24%) of (the) fund portfolio total that would be allocated to one industry". The undersigned respectfully asserts that of these percentages (3%, 14% and 25 %), only the 3% represents the % of the fund total that is allocated to the one particular security. Rather as disclosed at Page 15, lines 5-10, the SEC Filing reads:

Under normal market conditions, at any given time, the Fund portfolio:

- Will be comprised of approximately 100 industry-leading companies
- Will be primarily comprised of U.S. common stocks
- Will not have more than 14% of Fund portfolio assets in any one industry

23334.01

- Will not have more than 3% of Fund portfolio assets in any one company
- Will not have its top 10 holdings exceed 25% of the Fund portfolio.

As specifically taught by the SEC Filing (as shown above), the total of the summed data elements of all of the securities within a single industry is limited to 14% of the data elements of the universe of the all of securities. Further, the total of the summed data elements of the top ten securities should not exceed 25% of the summed universe of the all of the securities. Thus, it is clear that the SEC Filing teaches only a single boundary or limit of 3% of the industry total, and not the asserted upper and lower boundaries. Thus claim 38, which recites the use of first and second limits (or upper and lower boundaries) for determining the number of securities within one industry group, clearly distinguish the teachings of the SEC Filing.

Further, Applicant respectfully traverses and requests reconsideration of the rejection of independent claim 38 and claim 39 dependent thereon as being unpatentable under 35 USC Section 103 over the SEC Filing in view of Wolfberg. Independent claim 38 recites a method similar to that of independent claim 35, but further specifies that the limit is set to a given magnitude, whereby said industry allocation to any security of said one industry group may not exceed the given magnitude. Claim 39, which is dependent from claim 38, further recites comparing the one industry group with a second limit, and setting the magnitude of the second limit to a magnitude which is equal to twice the given magnitude, whereby the industry allocation to any security of said one industry group may not exceed that given magnitude. In particular, the SEC Filing does not disclose the setting of the magnitude of the limit whereby the allocation of one security to the one industry group may not exceed the given magnitude, much less setting the second limit to a magnitude equal to twice the given magnitude.

Applicant respectfully traverses and requests reconsideration of the rejection under 35 USC §103 over the SEC Filing and Wolfberg of independent claim 47 and claims 16 – 27 dependent there from. The method protected by these claims is shown in Figure 4 and comprises the step 66 of dividing an industry allocation or total into at least into a first part

23334.01

F1 and a second part F2, allocating the first part F1 and the second part F2 among two (2) securities of the one industry group having the largest data elements, and comparing the first part F1 to a set amount and, if less than or equal to that set amount, then the first part F1 is set equal to the set amount, e.g., 2.25% as shown in page 4. It is respectfully asserted that neither the SEC Filing nor Wolfberg disclose the recited dividing of the industry allocation into two parts, comparing one of the parts to a set amount, and if the one part is greater than the other, setting the one part equal to the set amount.

Applicant respectfully traverses and requests reconsideration of the rejection of Claims 42 and 43 as being obvious under 35 USC §103 over the SEC Filing and Wolfberg. Claims 42 and 43 protect a method as shown in Figure 2 and serves to ensure that all of the industry total is allocated to the largest security only when the magnitude of the largest security is sufficiently larger by a sufficient amount than the magnitude of the next largest security as determined by step 44. By setting the difference between the two largest securities greater than the predetermined amount, the recited method ensures that all of the industry total is not given to the largest security when the magnitude of the two largest securities are essentially equal to each other and, thereby, distort the allocation. In particular, claim 42 recites the step d) of "determining whether one of said plurality of securities of said one industry group is greater than another of said plurality of securities of said one industry group be a predetermined amount and, if not, allocating said industry allocation substantially equally to said one and said other securities of said one industry group." Claim 43, which is dependent on Claim 42, further recites that if the "one security is greater than said other security of said one industry group by more than a predetermined amount, allocating said allocation only in the greater of said one and said other securities." It is respectfully asserted that neither the SEC Filing nor Wolfberg obviate the above noted recitations of Claims 42 and 43.

Applicant respectfully traverses and requests reconsideration of independent Claim 40 as being unpatentable under 35 USC §103 over the SEC Filing and Wolfberg. As noted above, the second passage is deemed to be the most relevant teaching within the SEC Filing with respect to Claim 40 and reads, "The Strategy Model re-allocates the fund Portfolio monthly. Due to cash inflows and outflows (primarily from purchases and redemptions of


23334.01

Fund Shares), the Adviser expects the portfolio to drift marginally from the precise allocation of the Strategy Model between monthly reallocations". By contrast to this passage, Claim 40 is directed to a method of not just repeating the step of assigning each security of a corresponding industry, but further recites that the plurality of securities are subdivided into a plurality of editions by step 12 as shown in Figure 1 and that each edition is reassigned to a different periodic cycle that is staggered by step 14 from the cycles of the other editions of the plurality. It is appreciated that dividing the universe of securities into a plurality of editions permits the continuous updating, which updates at least one edition on a relatively short cycle, e.g., one week, as opposed to waiting 3 months and then updating all of the securities at one time. It is respectfully asserted that neither the passage cited above of the SEC Filing nor the remainder of this reference teaches the dividing of the securities into a plurality of editions, much less staggering the cyclic reassigning of the securities.

Applicant respectfully questions the pertinacity of Wollfberg and, in particular, the asserted teaching of "spending flexibility guidelines" with respect to any of the recitations of the claims discussed above.

In view of the above discussion, Applicant respectfully asserts that each of objections and rejections of claim 16 – 27, 35, 37 – 40, 42, 43 and 47 as posed in the Office Action of October 7, 2002 have been overcome and that these claims are in condition for allowance, which action is respectfully requested. If the Examiner is unable to allow the noted claims, he is requested to call the undersigned to suggest those amendments whereby these claims may be placed in condition for allowance.

Respectfully submitted,

  
R. Lewis Gable, Reg. No. 22,479  
Attorney for Applicant  
COWAN, LIEBOWITZ & LATMAN, P.C.  
1133 Avenue of the Americas  
New York, NY 10036-6799  
(212) 790-9228